

**Los Angeles Unified School District
Office of the Inspector General**

Performance Audit of Health Benefits

**OA 25-1014
May 16, 2025**

**Sue Stengel
Inspector General**





Los Angeles Unified School District

Office of the Inspector General

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May 16, 2025

Ms. Priti Kapoor
Director of Benefits Administration
Division of Risk Management & Insurance Services
Los Angeles Unified School District
333 South Beaudry Avenue, 28th Floor
Los Angeles, CA 90017

RE: Performance Audit of Health Benefits

Dear Ms. Kapoor:

This is the final Performance Audit report on health benefits.

The objective of the audit was to verify the eligibility of individuals receiving District-sponsored health benefits following retirement.

Please contact our office if you have any questions.

Sincerely,

Mark Pearson, CPA, CFE, CIGA
Assistant Inspector General, Audits

Sue Stengel, Esq., CIG
Inspector General

c: Dawn Watkins
Jenny Ku
Nellie Chavez

Attachment

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EXECUTIVE SUMMARY

The Los Angeles Unified School District (LAUSD or “District”) Office of the Inspector General (OIG) conducted an audit of Retiree Health Benefits Eligibility. District-sponsored health benefits for retirees include medical, dental, and vision coverage. The objective of the audit was to verify the eligibility of individuals receiving District-sponsored health benefits following their retirement. The OIG performed this audit because District Management cited an increase in the number of individuals who separated from the District and the risk of paying for health benefits for ineligible employees after retirement. In addition, a performance audit had not previously been conducted on the retirees’ health benefits.

During fiscal years 2021-22, 2022-23, and 2023-24, 4,939 employees retired from the District. The OIG selected and tested the health benefits eligibility of 39 (.8%), or all retirees, during fiscal years 2022 through 2024 whose employment with the District was partially or fully funded by the school construction bond measures passed by the District's voters and state law. Due to the OIG audit team’s funding source, we did not test the eligibility of retirees whose employment with the District was funded through other sources, such as general funds, and federal and state grants, among others.

Our testing of the eligibility of the 39 retirees found that individuals receiving District-sponsored health benefits after retirement were eligible for those benefits. Specifically, they met the following requirements:

- Met the minimum qualifying years in paid services immediately prior to retirement. See Appendix 2 for a summary of the minimum qualifying years in paid services.
- Were eligible or enrolled in District-sponsored health benefits (active employee) immediately before retirement.
- Selected District-sponsored health benefits (retired employees) commencing the employee’s selected retirement date.
- Were in paid status on the employee's selected retirement date.
- Were receiving monthly benefits from the retirement system (CalSTRS or CalPERS).
- Were enrolled with Medicare Parts A and B if the retiree is 65 years old or older.

In addition, we determined that 42 dependents (legal spouses, qualified domestic partners, and children) were eligible and receiving District-sponsored health benefits.

Details of our testing are provided in this report's Results of Audit section.

INTRODUCTION

The Benefits Administration Branch within the Division of Risk Management and Insurance Services is responsible for managing medical, dental, vision, basic life insurance, retirement plans, COBRA¹/AB528² continuation coverage, and various voluntary benefits programs, such as optional life insurance and flexible spending accounts, for eligible employees, retirees, and their dependents, and committed to providing them with competitive health and welfare benefits so they feel cared for and appreciated.³

The District also provides post-employment health and welfare benefits (i.e., medical, vision, and dental) to retirees and their eligible dependents in accordance with collective bargaining unit agreements and the District Board of Education rules. To receive these post-employment benefits, the employees must meet certain requirements, including but not limited to obtaining a minimum number of years of qualifying service,⁴ being eligible or enrolled in District-sponsored health benefits immediately before retirement, being in paid status on the employee's selected retirement date, etc.

Eligible dependents are also covered for the life of the retiree. Upon the retiree's death, the District-sponsored health and welfare benefits cease, but eligible dependents may continue coverage. However, they generally have to pay 100% of the premium and plan costs. Eligible dependents include legal spouses, qualified domestic partners, and dependent children.

The District uses an established Health and Welfare Benefits Fund, an internal service fund, to pay for the health and welfare benefits of active employees, retirees, and their dependents. These payments include claims, insurance premiums to Health Maintenance Organizations for medical benefits and outside carriers for vision and dental services, administrative costs, and other related expenditures.

The District also established an Other Post-Employment Benefits (OPEB) Trust Fund in the fiscal year 2013-14 to address its future fiscal obligation and account for future expenses associated with other post-employment benefits. According to the Budget and Finance Policy Section in the Final Budget 2024-25, the annual contribution to the trust fund is calculated by a third-party actuarial company at a rate consistent with the District's current budget assumptions, and subject to maintaining an unrestricted general fund balance of 5% of the unrestricted revenue.⁵ Net OPEB position as of June 30, 2024, is approximately \$500 million.

Contributions to the Health and Welfare Fund and OPEB Trust Fund are made from and based on the active employee payroll funding sources, which include the school construction bond measures

¹ The Consolidated Omnibus Budget Reconciliation Act (COBRA) gives workers and their families who lose their health benefits the right to choose to continue group health benefits provided by their group health plan for limited periods of time under certain circumstances such as voluntary or involuntary job loss, reduction in the hours worked, transition between jobs, death, divorce, and other life events.

² AB 528 is a state law that requires California schools and community college districts to allow certificated employees who lose their eligibility to continue their health care coverage upon retirement to enroll in health and welfare benefit plans or dental care benefit plans currently provided for its current certificated employees.

³ Division of Risk Management and Insurance Services Website.

⁴ Retirement with Health Benefits Eligibility Guidelines on Application for Continuation of Health Benefits.

⁵ Final Budget 2024-25, Budget and Finance Policy, page V-34 & V-35.

passed by the District's voters and state law, general funds, and federal and state grants, among others.

As of June 30, 2024, the District provided post-employment health and welfare benefits to 101,652 active and inactive employees and their dependents.⁶ Table 1 below summarizes the number of employees and dependents receiving these benefits from the District.

Table 1
Number of Active and Inactive Employees Receiving
Health and Welfare Benefits
(as of June 30, 2024)

Type	Number of Employees
Active Employees	61,692
Inactive Employees/Dependents currently receiving benefits*	39,777
Inactive Employees entitled to, but not yet receiving benefits	183
Total	101,652

*Of the 39,777 inactive employees/dependents currently receiving benefits, 4,939 retired during fiscal years 2021-22, 2022-23, and 2023-24

Total health and welfare fund expenses for fiscal years 2021-22, 2022-23, and 2023-24 were \$1.1 billion, \$1.2 billion, and \$1.3 billion, respectively.^{7, 8, 9} Table 2 below summarizes the health and welfare benefits fund expenses for these fiscal years.

Table 2
Total Amount of Health and Welfare Benefits Fund Expenses

Fiscal Year	2021-22	2022-23	2023-24
Health and Welfare Benefits Payments (in millions)	\$1,125	\$1,191	\$1,283
Change (%)	-	5.9%	7.8%

Chart 1 below describes the funding sources, contributions, and payments related to the Health and Welfare Benefits Fund and OPEB Trust Fund.

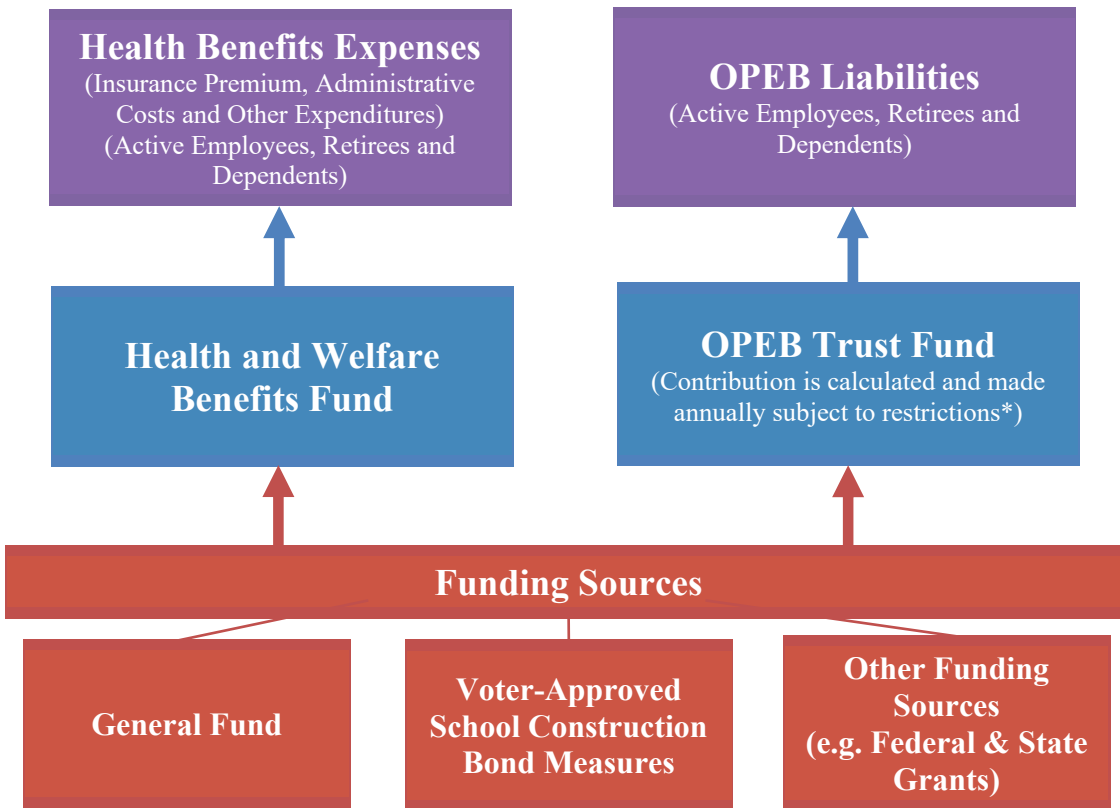
⁶ LAUSD Annual Audited Financial Report FY 2023-2024, Page 57.

⁷ LAUSD Annual Audited Financial Report FY 2021-2022, Page 138.

⁸ LAUSD Annual Audited Financial Report FY 2022-2023, Page 138.

⁹ LAUSD Annual Audited Financial Report FY 2023-2024, Page 140.

Chart 1
Funding Sources, Contributions and Payments
Related to the Health and Welfare Fund and OPEB Trust Account



*Contribution is subject to maintaining an unrestricted general fund balance of 5% of the unrestricted revenue.

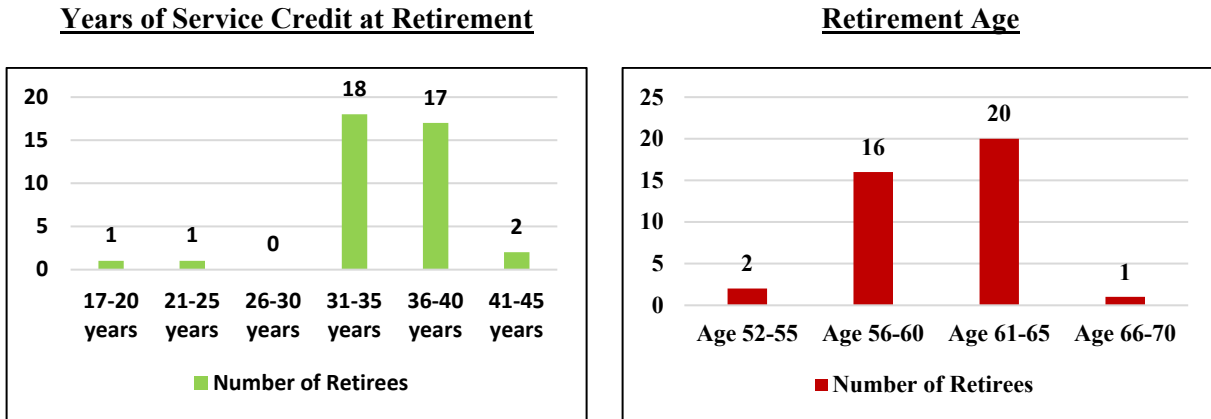
RESULTS OF AUDIT

Tested retirees and their dependents were eligible to receive post-employment District-sponsored health benefits.

The OIG audit team obtained a report of employees who separated and retired from the District during fiscal years 2021-22, 2022-23, and 2023-24 from Benefits Administration management. Based on the report, 4,939 employees separated and retired from the District. The OIG audit team selected and tested the health benefits eligibility of 39 or all retirees whose employment with the District was partially or fully funded by the school construction bond measures passed by the District's voters and state law, including 42 dependents, to verify the eligibility of individuals receiving District-sponsored health benefits following their employment separation.

Chart 2 summarizes the years of service credit and ages at the time of separation and retirement for the 39 retirees:

Chart 2
Number of Retirees by Service Credit and Retirement Age



To verify the post-employment health benefits eligibility of the 39 retirees and their 42 dependents, Benefits Administration provided the Retiree Research Form package for the selected retirees. The Retiree Research Form package includes, but is not limited to, the following documents supporting the eligibility of the retirees:

- Retirement Research Form.
- Application for Continuation of Health Benefits (HI-22).
- Retirement Eligibility Verification Form.
- Resignation Letter.
- Benefits Administration's Acceptance Letter.
- CalPERS Approval Letter.
- Copy of Medicare Card.
- Historical health plan enrollment during employee employment with the District.
- Historical changes in employment status (e.g., illness, leave of absence, work schedule, reassignments, and base pay) with the District.
- Employee Assignment Log Summary.
- Appointment Roster Data.
- Time Type Totals Report.
- Benefits Enrollment.
- CalPERS Summary of Person Information.
- CalPERS Pre-Retirement Benefit Information.
- CalPERS Appointment History.
- School Transcript or Proof of Enrollment for dependent students.
- Report of paid service hours from the fiscal year 1990-1991 to 2023-2024.

The OIG audit team reviewed the Retiree Research Form package for the 39 retirees, including their 42 dependents, and verified their eligibility for post-employment District-sponsored health benefits as follows:

1. Retirees Met The Minimum Years of Qualifying Service

Criteria

According to the Retirement with Health Benefits Eligibility Guidelines, employees must meet the minimum number of consecutive years of service and/or years of qualifying service credit plus age immediately prior to retirement. The minimum requirements depend on the employee's employment hiring date with the District. These requirements are summarized in APPENDIX 2.¹⁰

A qualifying year of service is defined in the various agreements with the labor unions. For classified employees, a qualifying year is a school year in which the employee was in paid status for at least 800 hours.¹¹ For certificated employees, a qualifying year is a school year in which the employee was in paid status for at least 100 full-time days.¹²

Employees submit the retirement eligibility verification form and application for continuation of health benefits (HI-22) approximately six months before retirement. Upon receipt of the documents, the Benefits Administration gathers relevant information to be included with the Retiree Research Form package and calculates each applicant's years of qualifying service to determine whether the employee is eligible for post-employment health and welfare benefits.

Condition

The OIG audit team obtained and reviewed the 39 retirees' employee assignment log summary, appointment roster data, time type totals report, historical changes in employment status (e.g., illness, leave of absence, work schedule, reassignments, and base pay), and a report of paid service hours from the fiscal year 1990-1991 to 2023-2024 to determine the minimum qualifying service requirements to be met by each retiree.

The OIG audit team also recalculated and verified the consecutive years of service and the number of years of qualifying service credit with the District, plus the retirees' age at the time of their retirement. For each year of qualifying service, we also verified that the retiree was in paid status for at least 800 hours during each school year. None of the 39 retirees were certificated employees.

Our test determined that all 39 retirees met their minimum qualifying service (consecutive years of service and/or years of qualifying service credit plus age) requirements. Chart 3 summarizes the results of our test.

¹⁰ Retirement with Health Benefits Eligibility Guidelines on Application for Continuation of Health Benefits.

¹¹ AALA Labor Agreement, Section 4.0.

¹² UTLA Labor Agreement, Section 4.0.

Chart 3
Years of Qualifying Service



*See APPENDIX 2.

2. Retirees Were Eligible or Enrolled in a District-sponsored Health Plan and On Paid Status on their Separation Date

Criteria

Based on the Retirement with Health Benefits Eligibility Guidelines, “Employee must be eligible or enrolled in District-sponsored health benefits and be in paid status on the selected retirement date.”⁶ The Guidelines also state that employees select any available plan they wish to be enrolled in at the time of retirement.⁶

According to the Benefits Administration, it gathers and reviews the applications for continuation of health benefits (HI-22), retirement eligibility verification forms, historical health plan enrollment during employee employment with the District, and historical changes in employment status to determine if the retirees met the health plan enrollment and paid status requirements.

Condition

The OIG audit team obtained and reviewed the 39 retirees' applications for continuation of health benefits (HI-22), retirement eligibility verification form, historical health plan enrollment during employee employment with the District, and historical changes in employment status to verify that the retirees met the health plan enrollment and paid status requirements.

The OIG team review found that all 39 retirees were:

- Eligible or enrolled in a District-sponsored health plan prior to retirement or on the selected retirement date.
- On paid status on the selected retirement date.
- Selected a District-sponsored plan (medical, dental, and vision) to be enrolled in at retirement.

3. Retirees Were Set Up to Receive Monthly Retirement Benefits (CalSTRS or CalPERS)

Criteria

Based on the Retirement with Health Benefits Eligibility Guidelines, “You must receive a monthly retirement payment from your retirement system. If you take deferred retirement (that is, leaving funds on deposit with the retirement system for withdrawal at a later date) or a lump sum distribution, you are not eligible for these retirement benefits. If there is a gap between your District resignation date and your CalSTRS/CalPERS retirement date, you will not be eligible for retirement health benefits.”¹⁰

According to the Benefits Administration, retirees receiving a monthly retirement benefit from CalPERS can be verified by reviewing the CalPERS summary of pension information in the CalPERS portal. The retirement date in the CalPERS portal is the first date to receive the retirement benefits.

Condition

The OIG audit team obtained and reviewed the 39 retirees' benefits administration's acceptance letter, CalPERS approval letter, benefits enrollment, CalPERS summary of pension information, CalPERS pre-retirement benefit information, and CalPERS appointment history to determine whether the retirees elected and were set up to receive monthly retirement benefits from their retirement system (CalPERS).

The OIG audit team review confirmed that all 39 retirees elected to receive a monthly retirement payment from CalPERS, their retirement system, and were set up accordingly in the CalPERS portal.

The OIG audit team also compared the retirement dates in the CalPERS approval letter (in some instances, the Benefits Administration provided a screenshot of the CalPERS portal) with the resignation letter or the historical changes in employment status, verifying that there were no significant gaps in retirement date.

4. Retirees and Their Spouses Aged 65 or Older Were Enrolled in Medicare

Criteria

Based on the Retirement with Health Benefits Eligibility Guidelines, “If you and/or your dependent reach/are age 65 or older, you must enroll and remain enrolled in Medicare Part B. If you do not enroll in Medicare Part B, you will lose your medical and prescription benefits until proof of enrollment is submitted.”¹⁰

Based on the Save This Flyer Retiree Reminders (HBR11), “If you or your spouse/domestic partner are turning age 65 or become Medicare eligible, you must apply for Medicare Parts A and B to continue your medical benefits.”¹³

¹³ “Save This Flyer Retiree Reminders” issued by the Benefits Administration Branch.

Based on the LAUSD 2024 Retiree Benefits Guide, “To retain your District-sponsored retiree medical coverage after you and/or your spouse/domestic partner become eligible for Medicare for any reason, you must enroll and remain enrolled in Medicare Parts A and B.”¹⁴

The Benefits Administration requests retirees to submit a copy of their Medicare card, including their spouse, if applicable. A copy of the Medicare card is also included in the Retiree Research Form package.

Condition

The OIG audit team obtained and reviewed the application for continuation of health benefits (HI-22) and a copy of the Medicare Card for the 39 retirees and their spouses (five over 65 years old), and verified that they were enrolled in Medicare Parts A and B.

5. Retirees’ Dependent (Legal Spouses, Qualified Domestic Partners and Dependent Children) Were Eligible to Receive District-sponsored Health Benefits

Criteria

Based on the LAUSD 2024 Retiree Benefits Guide, retirees may also enroll their dependents, in the same District-sponsored health and welfare plans during plan enrollment. Eligible dependents include:

- Legal spouse or qualified domestic partner
- Dependent children up to age 19.
- Dependent children aged 19 to 25 must be full-time students to remain eligible for medical, dental, and vision coverage.
- Dependent children aged 19 to 25 who are not full-time students are eligible for medical coverage only and do not qualify for dental and vision coverage.
- Dependent disabled children must meet the disability standards of your medical plan and must be enrolled prior to age 26.
- Your domestic partner’s child, only if you have adopted the child or have been declared the child’s legal guardian, and you are registered with the State of California.
- Court-ordered child
- Stepchild, only if the child is included in your tax return.¹⁵

Retirees must provide the necessary documentation to verify the eligibility of their dependents to receive the District-sponsored health benefits.¹⁰

According to the Benefits Administration, the necessary documentation for legal spouses and qualified domestic partners (e.g., marriage certificate, joint bank/credit account, proof of common ownership of motor vehicle or real property, and designation as beneficiary for life insurance or retirement benefits) are submitted when the dependents are first enrolled in any health plan. Retirees are not required to resubmit documentation if their spouses or domestic partners are already enrolled in a health plan before retirement.

¹⁴ 2024 LAUSD Retiree Benefits Guide, Page 16.

¹⁵ 2024 LAUSD Retiree Benefits Guide, Page 21.

For dependent children, retirees must submit proof of school enrollment twice a year (normally during Spring and Fall) to be considered a student. The student dependent must also “be enrolled at least eight (8) units per quarter/semester at an accredited college, university, or trade school.”¹⁶

Condition

The OIG audit team obtained and reviewed the historical health plan enrollment during employee employment with the District and the proof of class enrollment or school transcript to verify the eligibility of the retirees’ dependents receiving the post-employment District-sponsored health benefits.

For the 39 retirees tested, the OIG identified 24 dependent spouses and 18 dependent children receiving District-sponsored health benefits. All dependent children were aged 19 to 25.

The OIG verified through the historical health plan enrollment during employee employment with the District that all 24 dependent spouses were already enrolled in a District-sponsored health plan; therefore, resubmission of documentation was not necessary.

For the 18 dependent children aged 19 to 25, we verified their eligibility through the proof of class enrollment or school transcript. The dependent children were also enrolled in at least eight (8) units per quarter/semester at an accredited college, university, or trade school.

Other Testing:

6. District-sponsored Health Benefits for All 39 Retirees Did Not Cease Due to Death

Criteria

Based on the District’s Step-by-Step Guide (HBAR2), “Health benefits are tied to the employee/retiree; hence, benefits will end the month the employee/retiree passes away.”¹⁷

According to the Benefits Administration, the medical providers or health plans notify the District when a retiree dies via a deceased notification report. In addition, the Benefits Administration generates an annual report from the CalPERS system listing retirees who have passed away. CalPERS shows the retiree's date of death in the CalPERS Summary of Person Information portal.

Condition

The OIG audit team inquired with the Benefits Administration Manager to determine if a deceased notification report had been received for any of the 39 retirees. The Benefits Administration Manager confirmed that no deceased report had been received for any of the 39 retirees.

¹⁶ Division of Risk Management and Insurance Services Website.

¹⁷ “Step by Step Guide When an Employee/Retiree Passes Away” by Benefits Administration.

The OIG audit team also obtained and reviewed a screenshot of the CalPERS Summary of Person Information portal to determine whether a date of death was entered for any of the 39 retirees and found that the CalPERS Summary of Person Information portal did not have any date of death entered.

AUDIT TEAM

This audit was conducted by the Office of the Inspector General's Audit Unit team:

Maria Thomas, Audit Manager
Armando Ng, Principal Auditor
Derek Kim, Senior Auditor

SCOPE AND OBJECTIVES, METHODOLOGY

SCOPE AND OBJECTIVES

The objective of the audit was to verify the eligibility of individuals receiving District-sponsored health benefits following their retirement.

We conducted our audit in accordance with *Generally Accepted Government Auditing Standards* (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions on our audit objectives. The audit covered the period from July 1, 2021 to June 30, 2024.

METHODOLOGY

To accomplish our audit objective, the audit team (i) researched pertinent District bulletins detailing policies and procedures relevant to retiree health benefits eligibility; (ii) conducted internal control questionnaires and interviewed key personnel of the Benefits Administration; (iii) obtained the Retirement Research Form packages containing Retirement Research Form, Application for Continuation of Health Benefits, Retirement Eligibility Verification Form, Benefits Administration's acceptance letter, CalPERS Approval Letter, copy of Medicare card, SAP screen captures, and CalPERS portal screen captures; (iv) reviewed the Retirement Research Form packages and verified the retirees were eligible to receive District-sponsored health benefits after separation from the District; (v) obtained additional supporting documents such as transcripts and/or class enrollment to verify the eligibility of retiree's dependents receiving District-sponsored health benefits; and (vi) determined whether health benefits were discontinued upon the death of a primary member, if any.

EVALUATION OF INTERNAL CONTROLS

In accordance with *Government Auditing Standards*, we obtained an understanding of internal controls that are significant within the context of the audit objectives. We assessed whether internal controls were properly designed and implemented. For those controls that were deemed significant, we obtained sufficient, appropriate evidence to support our assessment about the effectiveness of those controls.

We are required to report deficiencies in internal controls that are significant within the context of the audit objectives. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct (i) impairments of effectiveness or efficiency of operations, (ii) misstatements in financial or performance information; or (iii) noncompliance with provisions of laws, regulations, contracts, or grant agreements on a timely basis. Based on our audit, we did not find significant deficiencies in internal controls.

RULE OF MINIMUM YEARS OF QUALIFYING SERVICE

Hiring Date	Minimum Years of Qualifying Service + Age	...And Minimum Years of Service Immediately Prior to Retirement
Prior to March 11, 1984	None	5 consecutive years
March 11, 1984 – Prior to July 1, 1987	None	10 consecutive years
July 1, 1987 – Prior to June 1, 1992	None	15 consecutive years or 10 consecutive years + 10 non-consecutive years
On or After June 1, 1992	80	10 consecutive years (for a break in service)
On or After March 1, 2007	80	15 consecutive years
On or After April 1, 2009	85	25 consecutive years
On or After April 1, 2009 (School Police – Sworn)	80	20 consecutive years
On or After July 1, 2018 (AALA* and SEIU*)	87	30 consecutive years
On or After September 1, 2018 (CSEA*)	87	30 consecutive years

*AALA (Associated Administrators of Los Angeles); SEIU (Service Employees International Union); CSEA (California School Employees Association).

Know about fraud, waste or abuse?

Tell us about it.

Maybe you are a school district employee, a parent or just a concerned citizen. Regardless, you can make a difference!

Maybe you know something about fraud, waste, or some other type of abuse in the school district.

The Office of the Inspector General has a hotline for you to call. You can also email or write to us.

If you wish, we will keep your identity confidential. You can remain anonymous, if you prefer. And you are protected by law from reprisal by your employer.

Whistleblower Protection

The Board approved the Whistleblower Protection Policy on February 12, 2002. This policy protects LAUSD employees who make allegations of improper governmental activity from retaliation or reprisal. To assure the reporting of any activity that threatens the efficient administration of the LAUSD, reports that disclose improper governmental activities shall be kept confidential.

General Contact Information

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